GOVERNMENT OF ANDHRA PRADESH
ABSTRACT:

M/s White Field Paper Mills Limited, - Delay in implementing project- Termination of Memorandum of Understanding and cancellation of Land allotment Orders – Issued.

INDUSTRIES & COMMERCE (POLICY& INVESTMENT) DEPARTMENT

G.O.MS.No. 17 Dated: 13-01-2016
Read the following:-

1. MoU between the Government of Andhra Pradesh and M/s. White Field paper Mills Limited, dated 27.3.2006.
2. G.O.Rt.No.323, Industries & Commerce (IP) Department, dated 30.5.2006.
3. G.O.Rt.No.1227, Revenue (Assn.VII) Department, dated 30.5.2006.
4. M/s. White Field paper Mills Limited letter dated 20.10.2012, 6.11.2012, & 7.12.2012.
5. From the Commissioner of Industries, Andhra Pradesh, Hyderabad,dated:05.03.2013.
6. Show Cause Notice through Govt. Memo.No. 9074/IP/ A1/2012, Dt:19.10.2013.
7. From M/s White Field Paper Mills Ltd., Letter dt:30.10.2013.
8. G.O.Ms.No.201,Industries & Commerce(IP&INF)Department, dt:4-12-2014.

O R D E R:

The Government of Andhra Pradesh, have entered into Memorandum of Understanding on 27.3.2006 with M/s White Field Paper Mills Limited for setting up of a 2,00,000 MTS per annum Integrated Pulp and Paper Mill at Bayyavaram, Tallapudi Mandal, West Godavari District. As per the said Memorandum of Understanding, the obligations to be fulfilled by the Company are as following:

(1) Setting up of a unit with a capacity of 2,00,000 MTS per annum manufacturing Coated, Writing and printing varieties of paper with an investment of Rs.1200 Crores.

(2) Provide direct employment to 1000 persons and indirect employment to 10000 persons.

(3) Substantial contribution to the Govt exchequer by way of taxes, duties and other Socio- Economic benefits.

(4) Increased utilization of Kakinada port facilities through Bulk Imports and Exports.

(1) Tie up for procurement of wood pulp and marketing of finished product with one of the leading international groups M/s Elofhansson of Sweden and April Fine Paper of Indonesia.

(2) The Commercial production of the Company shall commence from December, 2008.

2. In the G.O. 2nd read above, Government have issued orders, extending the following incentives to M/s. White Field Paper Mills Limited, as per Industrial Investment Promotion Policy 2005-10 :-

(1) Rs. 0.75 per unit concession in the power cost up to under Industrial Investment Promotion Policy 2005- 2010.

(P.T.O)

(2) 25% of VAT reimbursement for a period of 5 years under Industrial Investment Promotion Policy 2005-2010.

(3) The Company is directed to get financial closure before December 2007, positively.

3. In the G.O. 3rd read above, Government have issued orders for alienating the Government land to an extent of Acs. 203.00 in Bayyavaram Village and an extent of Acs. 68.35 cents in Tupakulagudem village of both of Tallapudi Mandal, West Godavari District (Total extent of Acs 271.35 cents) on payment of market Value of Rs. 52,000/- per acre in addition to tree value of Rs 22,154/- to M/s White Field Paper Mills Limited.

4. The Commissioner of Industries, Andhra Pradesh, Hyderabad in his letter 5th read above, has reported that the General Manager, District Industries Centre, West Godavari District visited the site location of M/s White Field Paper Mills Limited at Village Bayyaram and Thupakulagudem, Tallapadi Mandal, West Godavari District on 19-12-2012 and inspected the works undertaken at the site which are as following:

I. Site Area:

(i). From the main road to site location – Land development work was taken place for formation of 80 feet road about 6 KMs.

(ii). In the site area, site office was constructed. Behind the site office, the staff residential Quarters were constructed in single line (to accommodate about 8-10).

(iii). In front of site office land development has taken place long back to take up the proposed factory works.

(iv). Reservoir was formed for storage of water nearby the site location.

(v). But the factory related works have not yet taken place, so far except the land development work.

5. Government after examining the issue observed that;

(i). M/s White Field Industries Limited has not achieved the Financial closure of the company in December,2007, as stipulated in G.O.Rt.No.323, Industries & Commerce (IP) Department, Dt:30.5.2006.

(ii). It is also noticed that the obligation of the Company to commence commercial production from December, 2008 has not been achieved by the Company inspite of lapse of 7 years though many other paper industries have completed their expansion projects.

6. Further the request of the Company to extend the validity of the orders issued with regard to land and incentives was placed in the State Investment Promotion Committee as well as the State Investment Promotion Board. It was decided by the State Investment Promotion Committee(SIPC) and State Investment Promotion Board (SIPB) not to extend the validity of the orders issued on allotment of land and sanction of incentives, in view of lack of progress.

7. Accordingly, a Show-cause notice dated:19.10.2013 was issued requesting M/s. White Field Paper Industries Ltd to Show-cause as to why the Memorandum of Understanding entered on 27.3.2006 and the follow up

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Government orders issued in the, G.O.Rt.No.323, Industries & Commerce (IP) Department, dated 30.5.2006 sanctioning the incentives, G.O. Rt. No.1227, Revenue (Assn.IV) Department, dated: 30.5.2006 allotting the land, should not be cancelled. It was also stated in the show cause notice, that if no reply is received within 15 days of the receipt of the Show Cause Notice, it would be construed that M/s. White Field Paper Industries Ltd., has no explanation to offer and further action will be taken on the basis of material available with the Government.

8. M/s. White Field Paper Industries Ltd in their letter 7th read above, has furnished the explanation. In the reply, the Chairman, M/s White Field Paper Mills Ltd., has stated that they have already invested nearly Rs.50 crores so far on this mega project and are serious in their resolve to implement the project and reiterated their commitment to deliver their obligations. They have requested extension of validity for a further period of two years to achieve commercial production taking into consideration their efforts in implementing the project under Sector Specific SEZ. They have also submitted the following reasons for non-completion of the project:

(1) Non linkage of fuel (Coal & or Gas) as their applications for the same are still pending with Government of India.

(2) Non allotment of II Phase land (required for project for stock yards, finished product godowns & residential township development), by the Government of Andhra Pradesh.

(3) Non-issue of orders by the Government of Andhra Pradesh, exempting from payment of land conversion fee, for the I phase land allotted to them (271.35 acres) recommended by Development Commissioner,VSEZ Ministry of Commerce Govt. of India.

(4) Global recession since October, 2008 first in US then spread to Europe and then in India which affected capital attraction to green field projects like their unit.

9. Government after careful examination of the explanation submitted by M/s White Field Paper Mills Ltd., to the Show-Cause-Notice, have observed that:

(i) Several Companies during this period have established captive power plants by getting coal linkages. A good example is ANARAK whose plant is not functional till date but captive power plant has been successfully set-up. Hence, there is no merit in the promoter's argument.

(ii) Almost all paper mills have gone for expansions, during this period and implemented them. Example:AP paper mills expanded its capacity from 1.95 Lakh to 2.75 TPA; ITC from 12,000 to 1.0 Lakh TPA; Sirpur papers from 22,000 to 55,000 TPA. But the promoter is citing global recession as a ground for non implementation of the project. This is not justifiable at all.

(iii) Except a few minor works like site leveling, approach road, storage reservoir, no progress has been made in 7 years.

(iv) It is a major project with an expected investment of Rs.1700 cr. For such a project, financial closure is very critical. Till date the company is not in a position to furnish sanction letter from any of the financial institutions even after a lapse of 7 years.

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(v) The company is requesting for 230 acres for 2nd phase. As per norms, the total land requirement would be 201.37 acres for 20 tpd capacity. However, Government has already allotted 271.35 acres of land, which is more than sufficient for the project.

(vi) Exemption from payment of land conversion fees has to be considered only after achieving financial closure. However, it is a minor amount and this cannot be a ground for non establishment of the project.

10. Government after careful consideration of the request of M/s White Field Paper Mills Limited, vide G.O. Ms. No.201, Industries & Commerce (IP & INF) Department, Dt:04.12.2014 extended the time only up to 31st March 2015 for achieving financial closure in the first instance, duly providing further that if the promoter fails to achieve financial closure then the land allotted will be automatically resumed from the company without any further notice and the same will be utilized for promoting other industries on merits. If they achieve financial closure by 31.03.2015 then they can be given a further time of 18 months up to 30.09.2016 to fully execute the project.

11. M/s White Field Paper Mill Ltd. in their letter Dt:26.03.2015 have represented that they have achieved the financial closure for the project (USD 250 Million approx Rs. 1550Cr.) from the Papcel Group, the EPC contractors of the their 2.0 lakh tpa writing & printing Paper Project. They have also stated that Papcel group is leading supplier of process and equipment systems across the Globe and has long term association with Institutional Banks like Czech Export Bank through which the Group renders support to the upcoming projects and also to the present project of WPML. They have requested the Government to consider the following:

- Extension of G.O. Nos.323 Dt:30-5-2006 and 1227, Dt:30-5-2006 for a further period of 24 months to cover the project implementation period;
- Exemption from land conversion charges and Land ceiling Act by cancelling the order of the RDO, Kovvur, in this regard.
- Allocation of second phase land for construction of housing, coal yard & other utilities'.
- Relief from the order passed by the Mines & Geology Department
- Recommendation for coal linkage to the Government of India.
- Extension of environmental clearance for a further period of 24 months;
- Extension of Industrial incentives in the new State of AP as per the Industrial Policy of the New State of AP.

12. After examination of the representation of M/s.White Field Paper Mills Ltd., Government have observed that, "Financial closure envisages sanction of loan by the financial institution rather than Financial arrangement by contractor from funding agency. Since the documents containing sanction of loan are not made available, hence construed that financial closure has not taken place.

13. Further, the Project should have been completed within two years and nine months. However, the Government has given 7 long years. Thus, it is evident that the Government was all along supportive of the promoter and tried to give him adequate opportunity to successfully implement the project. The promoter has utterly failed to do this even after 7 years. It should be noted that Government is only a custodian of public land and allocates land to promote industries with a view to generate employment for the people, wealth for society and tax revenues for the Government for promoting further economic activity. Hence it would not be possible for the Government to extend the life of this non-started project any more. Now, giving any further extension of time would be detrimental to public interest.

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14. Therefore, the Government hereby cancel the MOU entered between Government and M/s White Field Paper Mills Ltd. dt: 27/03/2006 and the Government orders issued vide G.O.Rt.No.323, Industries & Commerce IP) Dept. dated 30.5.2006 and G.O.Rt.No.1227, Revenue (Assn.VII) Department, dated 30.5.2006, for sanctioning incentives and allotting land respectively in public interest.

15. The District Collector & District Magistrate, West Godavari District is requested to take further necessary immediate action for resumption of land from M/s White Field Ltd.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

S.S.RAWAT
SECRETARY TO GOVERNMENT AND
COMMISSIONER FOR INDUSTRIAL PROMOTION

To
The Director of Industries, Government of A.P., Hyderabad.
The District Collector & District Magistrate, West Godavari District,Eluru.

Copy to:

1. The Revenue (Assn. II) Department,
2. The Chief Commissioner of Land Administration,A.P.Hyderabad
3. The Vice Chairman & Managing Director, APIIC Ltd.,Hyderabad.
4. The General Manager ,District Industries Centre, West Godavari District.
5. The Advocate General, Government of A.P., Hyderabad.
7. The Development Commissioner,VSEZ, Vizag.
8. The P.S. to Secretary to Chief Minister
9. The P.S. to C.S.to Government
10. Ind.&Com.(Infra) Department
11. The P.S. to Secretary & CIP.

SF/SC.

//FORWARDED::BY ORDER//

SECTION OFFICER